

## Directors' report – operational review

### Business developments in 2012

Sales for the 2012 financial year were EUR 133.66 mn (2011: EUR 185.69 mn). As OMV Aktiengesellschaft is a pure holding company most of the sales consist of corporate service charges billed to the subsidiaries. The comparably lower sales in OMV Aktiengesellschaft relates to a onetime transaction with foreign legal entities for the sale and purchase of gasoil and condensate in 2011.

**Earnings before interest and taxes (EBIT)** were EUR (34.73) mn (2011: EUR (71.14) mn). Higher EBIT in 2012 is largely a reflection of lower operating costs as refinancing and restructuring measures were finalized in 2011.

The **financial result** in 2012 was EUR 811.34 mn (2011: EUR 574.81 mn). The financial items of OMV Aktiengesellschaft as a pure holding company mainly consist of the dividends and other income from investments of the operative companies. Net income from investments was at EUR 1,013.69 mn and thus substantially above 2011 (EUR 688.32 mn).

The contribution of the companies in the **Exploration and Production (E&P)** segment excluding Petrom to income from investments rose to EUR 666.40 mn (2011: EUR 571.37 mn), mainly due to higher production volumes.

The investment income contribution from the **Gas and Power (G&P)** segment excluding Petrom was EUR 37.16 mn, higher than the previous year (2011: EUR 16.36 mn). The lower result contribution of previous year was mainly due to the termination of the profit and loss transfer agreement with Gas Connect Austria (previously OMV Gas GmbH) and the dividend payment that was therefore shifted by one year. That's why this year's result contains the dividend of Gas Connect Austria GmbH for the financial year 2011.

Investment income from the **Refining and Marketing (R&M)** segment excluding Petrom increased to EUR 48.82 mn (2011: EUR (82.72) mn). This increase of results was mainly due to the increase of OMV's indicator margin due to higher gasoline and middle distillate spreads. However, the marketing result was below 2011 due to the difficult marketing environment.

### Investment

Key investment items in 2012 were capital injections to OMV Australia PTY LTD, OMV Solutions GmbH, due to activities in Turkey, and to OMV Exploration & Production GmbH.

**Cash flows** from operating activities for 2012 came in at EUR 603.45 mn (2011: EUR 647.70 mn), and cash flows from investing activities negative by EUR (103.74) mn (2011: EUR (2,268.03) mn), while cash flows from financing activities came in at EUR 240.71 mn (2011: EUR 1,588.28 mn).

**Net income** for the year was EUR 817.75 mn (2011: EUR 531.60 mn).

**Total assets** rose to EUR 13,889.14 mn (2011: EUR 12,913.60 mn).

At balance sheet date **stockholders' equity** including untaxed reserves stood at EUR 7,855.30 mn (2011: EUR 7,390.00 mn). The equity ratio as of December 31, 2012 was 56.56% (2011: 57.23%).

The ratio of **fixed assets** to total assets was 65.16% at balance sheet date (2011: 68.74%).

Return on equity (**ROE**), i.e. net income for the year divided by average stockholders' equity, was 10.74% (2011: 7.71%).

In 2012, the average **number of employees** at the holding company was 419 (2011: 398).

**Information required by section 243a  
Unternehmensgesetzbuch (Austrian Commercial Code)**

The following information is disclosed according to section 243a Austrian Commercial Code:

1. The capital stock amounts to EUR 327,272,727 and is divided into 327,272,727 bearer shares of no par value. There is only one class of shares.
2. There is a consortium agreement between the two core shareholders, Österreichische Industrieholding Aktiengesellschaft (ÖIAG) and International Petroleum Investment Company (IPIC), which provides for coordinated behavior and certain limitations to transfers of stockholdings.
3. ÖIAG holds 31.5% and IPIC holds 24.9% of the capital stock.
4. All shares have the same control rights.
5. Employees who are shareholders directly exercise their voting right at the Annual General Meeting.
6. The Company's Executive Board must consist of two to six members. The Company's Supervisory Board must consist of at least six members elected by the Annual General Meeting and of the members nominated under section 110 (1) Arbeitsverfassungsgesetz (Austrian Labor Constitution Act). To approve capital increases pursuant to section 149 Aktiengesetz (Austrian Stock Corporation Act) and alterations of the Articles of Association (except those concerning the Company's objects), simple majorities of the votes and capital represented in adopting the resolution is sufficient.
7. a) The Executive Board has been authorized by resolution of the Annual General Meeting held on May 13, 2009, to increase, subject to the consent of the Supervisory Board, the capital stock of the Company by May 13, 2014, in one or more tranches, by an aggregate amount not exceeding EUR 77.9 mn by issuance of up to 77,900,000 new common shares in bearer form against cash or contributions in kind, also to the exclusion of shareholders' rights of subscription in the event

of contributions in kind and, subject to the consent of the Supervisory Board, to set the issue price and conditions of issuance (authorized capital).

By partly exercising the said authorization, the Executive Board, based on its resolutions dated May 16, 2011 and June 6, 2011 and upon approval by the Supervisory Board, increased the capital stock from EUR 300,000,000 by EUR 27,272,727 to EUR 327,272,727 by issuing 27,272,727 new shares (capital increase in cash from authorized capital). As a result of the mentioned capital increase, the Executive Board is now authorized to increase, subject to the consent of the Supervisory Board, the capital stock of the Company by May 13, 2014, in one or more tranches, by an aggregate amount not exceeding EUR 50.6 mn by issuance of up to 50,627,273 new common shares in bearer form against cash or contributions in kind, also to the exclusion of shareholders' rights of subscription in the event of contributions in kind and, subject to the consent of the Supervisory Board, to set the issue price and conditions of issuance (authorized capital).

- b) The capital stock has been conditionally increased by EUR 50.6 mn under section 159 (2) (1) Austrian Stock Corporation Act by issuance of up to 50,627,273 common shares in bearer form (conditional capital). The conditional capital increase will only be carried out if holders of the convertible bonds issued on the basis of the Annual General Meeting resolution held on May 13, 2009, exercise their right to convert them into the Company's stock.
- c) The total number of new shares currently or potentially to be issued under the terms of the convertible bonds and the number of shares to be issued from the authorized capital may not exceed 50,627,273 (amount-related determination of authorizations in accordance with paragraphs a and b), whereby the conversion right of the holders of the convertible bonds must be granted in any case.

- d) On May 17, 2011, the Annual General Meeting authorized the Executive Board to repurchase treasury shares of up to 10% of the capital stock during a period of 30 months from the day of the resolution in question. Treasury shares can be repurchased via the stock exchange, by way of public tender or in any other legally permitted way and to any legally permitted purpose. The Executive Board has also been authorized to rescind treasury shares upon repurchase as well as treasury shares currently owned by the Company without any further resolution by the Annual General Meeting.
- e) The Executive Board has also been authorized until May 16, 2016, upon approval by the Supervisory Board but without any further resolution by the Annual General Meeting, to sell or use treasury shares upon repurchase as well as treasury shares currently owned by the Company via the stock exchange, by way of public tender, or in any other way. In particular, treasury shares can be utilized (i) to satisfy stock option and Long Term Incentive Plans for employees, executive staff and members of the Executive Board or the management of the Company or affiliated subsidiaries as well as other employees' bonus schemes, (ii) for convertible bonds, if issued, (iii) as a compensation for the acquisition of enterprises, participations or other assets and (iv) to any other legally permitted purpose. The general shareholders' subscription rights can be excluded and this authorization can be exercised wholly or partly.
8. In addition to the capital increase, a hybrid bond with a size of EUR 750 mn was placed on the market on May 25, 2011. The hybrid will bear a fixed interest rate of 6.75% until April 16, 2018, thereafter a reset fixed rate (to be determined) until April 26, 2023 and thereafter a floating interest rate with a 100 basis points step up. The hybrid bond has no scheduled maturity date and may be redeemed at the option of OMV under certain circumstances. OMV has in particular the right to repay the hybrid bond at certain dates. In the case of a change of control, OMV may call the hybrid bond for redemption or else the applicable interest rate will be subject to an increase according to the terms and conditions of the hybrid bond.
9. At December 31, 2012 no other material agreements to which OMV is a party are in place which in case of change of control due to a takeover offer would come into effect, be amended or terminated.
10. There are no agreements between the Company and members of the Executive Board and Supervisory Board or employees regarding the payment of compensation in the event of a public takeover bid.
11. The most important elements of the internal control and risk management system regarding the accounting process are the following: Standards for the internal control system are defined by internal Corporate Guidelines. Corporate Internal Audit controls the compliance with these standards through regular audits of individual Group companies and informs the Supervisory Board about the results of the audits performed. The establishment of Group-wide standards for the preparation of annual and interim financial statements by means of the corporate IFRS Accounting Manual is also regulated by an internal Corporate Guideline. The Group uses a comprehensive risk management system. The essential processes of the financial reporting system have been identified and analyzed. The effectiveness of these processes is evaluated based on a rolling time schedule and benchmarked against best practice (e.g. derivatives, debtors' management, accounting for fixed assets). In addition, the effectiveness of the risk management system is regularly evaluated by external auditors. The results of the evaluation are reported to the audit committee.

#### **Risk management**

Risk management is a group-wide integrated function based in the Corporate Finance department at OMV Aktiengesellschaft. The group-wide risk identification and assessment process is coordinated by the department, while the entire risk portfolio is aggregated as a net position. A variety of risk management measures are taken on the basis of this position (which is mitigated by diversification effects), as part of the overall risk avoidance strategy. In particular, these measures address direct financial risks including interest rate, foreign exchange, liquidity and pension risk. Corporate Finance is also responsible for analyzing strategic market risk. In addition, OMV Aktiengesellschaft monitors the Group's exposure to investment risk (value at risk), as well as the transaction risks associated with major investments.

Interest rate and liquidity risk are managed by imposing limits. Derivatives (swaps) may be employed by Group Treasury for risk management purposes. For instance, some of the existing USD and EUR denominated loans were converted from fixed to variable rates in order to balance the Group's debt portfolio.

Price hedges are proposed to the Executive Board by the Financial Risk Committee, and are centrally managed. For 2012 OMV entered into USD hedges for an exposure of USD 748 mn at an average exchange rate of 1.3616. The USD hedges lead to a negative cash flow of EUR 33 mn (thereof EUR (6.9) mn in 2013). The currency hedges were concluded on behalf of OMV Aktiengesellschaft's affiliates and are disclosed in the affiliates' financial statements.

The key foreign currency risks are associated with the fluctuations of the USD against the EUR, RON and TRY. The Group has a net USD long position resulting mainly from sales of oil and gas production. Their effects on cash flow and/or the balance sheet (translation risk) as well as the correlation with the oil price are also regularly monitored. The currency risk associated with investments (translation risk) – i.e. the potential impact on the income statement and balance sheet – is centrally monitored. OMV is exposed to currency translation risk by major investments in Romania and Turkey.

Credit risk exposure associated with the Group's main counterparties is managed on the basis of counterparty limits and bank limits. The risks related to banks, financial institutions, security provider and counterparties are centrally managed by Corporate Finance and at segment level based on centrally managed limits.

The fact that Group financing is highly centralized means that OMV Aktiengesellschaft is necessarily obliged to assume the default risk on behalf of Group companies. Frequent reviews of corporate intra-year liquidity planning permit constant monitoring of Group companies' status, and enable countermeasures to be taken where necessary. The investments are regularly tested for impairment, using generally accepted valuation methods. Impairment is recognized as necessary.

### **Sustainability**

#### **& HSSE (health, safety, security, environment)**

Building on its long tradition of sustainability management, OMV has developed its concept of sustainability: "Resourcefulness" is the new way of OMV to achieve responsible and sustainable profitable growth. OMV thus taking along the entire value chain of responsibility for people and the environment and is

committed to innovative solutions. Resourcefulness complements the strategy for profitable growth and has to establish the goal of long-term win-win situations for society, the environment and OMV. The focus of the initiatives that will be implemented as part of resourcefulness lies in education and development, environmental management and new energy sources. OMV initiatives are always adapted to the needs and demands of society and the people in the regions where OMV is active. Overall responsibility has the CEO of OMV, who also set up a central sustainability department.

The Corporate HSSE Department leads and coordinates, in consultation with the business units and Petrom Group's HSSE strategy the formulation of the annual HSSE goals in the balanced scorecard. In 2012, the in 2011 developed group-wide functional strategy for HSSE was implemented to support the new corporate strategy.

In 2012, there have been no accidents reported in OMV Aktiengesellschaft. Three near misses and hazards as well as 199 observations were reported. Awareness of health, safety and environmental issues has been strengthened through training and information sessions on. The focus of information sessions entitled "HSSE Hour" was among the topics on travel health, fire safety in the home, security in business travel and OMV HSSE vision. The HSSE management in the headquarters in Vienna focused on ergonomics in the workplace, including training. There have been two evacuation drills in which more than 1,500 people respectively took part.

The occupational health center offers regular outpatient medical treatments and numerous training courses. Staff for physiotherapy and nutritional advice is regularly available. Medical studies on health risks such as cholesterol, blood sugar, diet, smoking and drinking habits were offered. Repeated blood donation campaigns were performed with the Vienna Red Cross. A self-defense course for women and men and in cooperation with the Vienna police again conducted in spring.

In 2012, the Annual General Meeting, the Supervisory Board meetings and the annual meeting of legal experts were to be climate neutral.

### **Research and Development**

OMV Aktiengesellschaft is not performing big research and development projects itself, but coordinates the group-wide research and development projects.

#### Subsequent events

**On January 7, 2013**, the sale of PETROM LPG SA to Crimbo Gas International was closed.

**On January 18, 2013**, OMV and Erdöl Lagergesellschaft m.b.H. (ELG) agreed the sale of Lagermanagementgesellschaft m.b.H. (a 100% subsidiary of OMV Aktiengesellschaft) to ELG.

**On February 1, 2013**, OMV has signed an agreement to sell its 100% marketing subsidiary in Croatia, OMV Hrvatska d.o.o., to Crodux derivati d.o.o., a member of the Croatian Crodux Plin group.

**On February 28, 2013**, the sale of the Bosnian marketing subsidiary OMV BH d.o.o. to the Serbian oil company NIS was closed.

#### Outlook for 2013 for OMV Group

For 2013, OMV expects the average Brent oil price to remain above USD 100/, whilst the Brent-Urals spread is anticipated to stay relatively tight. In the European gas market, hub prices are expected to increasingly influence market prices over oil-linked gas prices. In Romania, the published roadmap towards gas price liberalization foresees three further domestic gas price increases for industrial customers in 2013. Refining margins, which experienced a high in 2012, are expected to return to more modest levels in 2013 as capacity returns to OMV's main markets. In the petrochemical business margins are expected to remain at the 2012 level with modest economic growth in the key markets anticipated to weigh on profitability. Marketing volumes are expected to remain similar to the level of 2012.

Vienna, March 20, 2013

The Executive Board



Gerhard Roiss



David C. Davies



Hans-Peter Floren



Jacobus Huijskes



Manfred Leitner